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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

CC Docket 93-129

In the Matter of:

800 Data Base Access Tariffs and the

800 Service Management System Tariff

COMMENTS

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Dated: April 15, 1994

SUMMARY

The minimal information provided in the LECs' 800 data base access direct cases and supplemental direct cases merely confirms that several of the price cap LECs have included, as exogenous, costs that are patently unreasonable, many of which were specifically excluded from exogenous treatment by the Commission's order in CC Docket 86-10. MCI requests that a bare minimum of nearly \$30 million of excessive exogenous costs be removed from the 800 data base access tariff rates.

Excessive costs should also be removed from the SMS Tariff rates. Additionally, rate of return carriers have overstated their rates by misstating demand and failing to flow through underlying cost changes. As the 800 data base rates have been overstated since May 1, 1993, each price cap LEC should reduce its price cap index (PCI) and rates by the prospective impact of the disallowances/adjustments recommended herein and provide refunds for the retroactive impact. Similarly, rate of return carriers and carriers that have based their 800 data base access rates on the 800 query rates of other carriers should be required to provide refunds or reduce rates for the prior period as well as lower their rates prospectively.

Finally, numerous vague and/or unreasonable terms and conditions are still included in the tariffs. MCI asks that language be more specific regarding area of service routing, the definition of query and the prohibition against selling vertical features. MCI also requests that RESPORG services be tariffed and that the RBOCs adjust provide reasonable number administration and RESPORG change verification.

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COMMENTS

MCI Telecommunications Corporation (MCI), pursuant to the Commission's 800 Designation Order,^{1/} hereby comments on the direct cases,^{2/} responses to information requests and supplements to the

^{1/} 800 Data Base Access Tariffs and the 800 Service Management System Tariff, Order Designating Issues for Investigation, 8 FCC Rcd. 5132 (1993) (800 Designation Order).

^{2/} MCI provides comments on direct cases submitted by ALLTEL Service Corporation on behalf of ALLTEL Carolina, Inc., ALLTEL Michigan, Inc., ALLTEL New York, Inc. and Oklahoma ALLTEL, Inc. (collectively "ALLTEL"); the Ameritech Operating Companies (Ameritech); Anchorage Telephone Utility (ATU); Atlantic Telephone Membership Corporation, Coastal Utilities, Inc., Farmers Telephone Cooperative, Inc., Hargray Telephone Company, Inc., Horry Telephone Cooperative, Inc., Millington Telephone Company, Inc., Mt. Horeb Telephone Company, Pineland Telephone Cooperative, Inc., Southeast Telephone Company of Wisconsin, Inc. and Warwick Valley Telephone Company (collectively "the Independents"); Bell Atlantic Telephone Companies (Bell Atlantic); BellSouth Telecommunications (BellSouth); the Central Telephone Companies (Centel); Century Telephone of Ohio, Inc. (Century); Cincinnati Bell Telephone Company (CBT); Great Plains Communications, Inc. (Great Plains); GVNW, Inc./Management (GVNW) on behalf of Fidelity and Bourbeuse Telephone Companies (Fidelity and Bourbeuse) and Union Telephone Company (Union); GTE Service Corporation, GTE System Telephone Companies and GTE Telephone Operating Companies (collectively "GTE"); Lafourche Telephone Company (Lafourche); Lincoln Telephone and Telegraph Company (Lincoln); the National Exchange Carrier Association (NECA); NYNEX Telephone Companies (NYNEX); Pacific Bell and Nevada Bell (collectively "PacTel"); Rochester Telephone, Vista Telephone of Minnesota and Vista Telephone of Iowa (collectively "Rochester"); Roseville Telephone Company (Roseville); Southern New England Telephone Company (SNET); Southwestern Bell Telephone Company (SWBT); Sugar Land Telephone Company (Sugarland); Telephone Utilities Exchange Carrier Association (TUECA); United Telephone Companies (United); and US West Communications, Inc. (US West).

direct cases (SDCs) ^{3/} filed by the local exchange carriers (LECs) regarding their 800 data base access tariffs and the Regional Bell Operating Companies (RBOCs) with respect to their 800 service management system tariff (SMS Tariff).^{4/} The direct cases, in general, appear designed to obfuscate the LECs' costs and ratemaking methods, rather than to justify their rates. In fact, several LECs flagrantly ignored the Commission's directions regarding specific documentation to be filed in this investigation,^{5/} forcing a delay in the review process. When they finally filed their SDCs, some LECs' cost support contradicted the earlier version so greatly that neither can be trusted. Other LECs' SDCs were so incomplete as to make a thorough review and recommendation impossible.^{6/}

^{3/} MCI comments on SDCs filed by Ameritech, Bell Atlantic, BellSouth, CBT, NYNEX, PacTel, SWBT and US West. The SDCs are hereinafter cited by the name of the carrier followed by "SDC", e.g., Ameritech SDC, Bell Atlantic SDC, etc..

^{4/} The RBOCs include Ameritech, Bell Atlantic, BellSouth, NYNEX, PacTel, SWBT and US West.

^{5/} E.g., the 800 Designation Order at para. 28 requires carriers that rely on the Common Channel Signalling Cost Information System (CCSCIS) or other cost models to file them with the Commission. Several carriers brazenly omitted these cost models from their filings and then provided only minimal alternative cost support in their SDCs.

^{6/} For the most part, the SDCs did not contain enough information to allow MCI to update its analysis or the attachments to this pleading. Further, the SDCs provided little convincing cost support and varied greatly from the direct cases. Thus, MCI focuses its analysis on information from the direct cases and corrections made in ex parte submissions. MCI has provided references to the SDCs where applicable.

The minimal information the price cap LECs have provided merely confirms that several include, as exogenous, costs that are patently unreasonable and many of which were specifically excluded from exogenous treatment by the Commission's order in CC Docket No. 86-10.^{7/} MCI has identified a bare minimum \$28.9 million overage of exogenous costs in the 800 data base access tariff rates, approximately two-thirds of the total the LECs propose.^{8/}

The direct cases also reveal that excessive costs should be removed from the SMS Tariff rates and that rate of return carriers have overstated their rates by misstating demand and failing to flow through underlying cost changes. To assure reasonable rates, the LECs must provide additional information on demand and quantify disallowances and further adjust their rates as demonstrated herein.

Further, as the 800 data base rates have been overstated since May 1, 1993, each price cap LEC should reduce its price cap index (PCI) and rates by the prospective impact of the disallowances/adjustments recommended herein and provide refunds for the retroactive impact.^{9/} Similarly, rate of return carriers

^{7/} Provision of Access for 800 Service, CC Docket No. 86-10, Second Report and Order, 8 FCC Rcd. 907 (1993) (800 Data Base Access Order).

^{8/} Disallowance figures are based on the amounts reported in the direct cases. Except where noted, they do not incorporate changes to proposed costs in the SDCs.

^{9/} The issuance of refunds is consistent with the Commission's prior decision with respect to line information data base (LIDB) rates. See Local Exchange Carrier Line Information Database, CC Docket No. 92-24, Order, 8 FCC Rcd. 7130 (1993) at para. 53.

and carriers that have based their 800 data base access rates on the 800 query rates of other carriers should be required to provide refunds or reduce rates for the prior period as well as lower their rates prospectively.

Finally, many LECs also have completely failed to justify numerous vague and/or unreasonable terms and conditions still included in their tariffs. Thus, MCI respectfully requests the Commission to compel the LECs and RBOCs to incorporate sound and precise language in their tariffs as recommended herein.

I. SEVERAL LECS HAVE FAILED TO JUSTIFY THEIR BASIC QUERY RATES

The burden of supporting filed rates rests with the carrier filing the rates.^{10/} Many LECs, however, clearly have failed to meet that burden. MCI will demonstrate below that several price cap carriers include excessive exogenous costs and otherwise fail to justify their basic 800 access rates. Additionally, several rate of return carriers appear to inflate their rates by using inappropriate demand assumptions or overstating their costs. MCI urges the Commission to require these LECs to adjust their rates as recommended herein.

A. SEVERAL PRICE CAP LECS HAVE INCLUDED COSTS IN THEIR 800 QUERY RATES THAT ARE CLEARLY NOT WITHIN THE COMMISSION'S DEFINITION OF EXOGENOUS

The Commission in its 800 Database Access Order only narrowly decided to grant exogenous treatment for limited costs, as 800 data

^{10/} See, e.g., Investigation of Access and Divestiture Related Tariffs, CC Docket Nos. 78-72 and 83-1145, Memorandum Opinion and Order, FCC 84-201, released May 15, 1984, paras. 13-14, 54.

base access is a restructured service.^{11/} Thus, the Commission had warned the carriers that it would be conducting an even more strict review of the 800 data base service costs to assure that they were reasonable.^{12/} The Commission specified that only the reasonable costs incurred by the LECs specifically for the implementation and operation of the basic 800 data base service could be treated as exogenous costs.^{13/}

The Commission explained that exogenous treatment would be afforded costs associated with service control points (SCPs), the 800/SMS, links between SCPs and the SMS, and links between service transfer points (STPs) and SCPs.^{14/} The Commission stressed that it is the burden of the LECs to "demonstrate that such additional [exogenous] costs are incurred specifically for the implementation of 800 data base service."^{15/}

^{11/} 800 Data Base Access Order at para. 26.

^{12/} Id. at para. 27.

^{13/} Id.

^{14/} Id. at para. 28.

^{15/} Id. [emphasis added].

Commissioner Duggan's comments further clarify the rigid exogenous cost justification requirements:

The great majority of costs associated with conversion to an 800 data base system are properly associated also with present and future network services. Even those costs used solely for 800 data base may yield substantial efficiencies and savings to the local companies. . . I am satisfied, however, that our decision here substantially limits the amount of exogenous costs allowed, and that our tariff review process will be strict.^{16/}

Thus, to support extraordinary -- exogenous -- treatment under price caps and the 800 Data Base Access Order, the LECs must meet a substantial burden of proof that specific incremental costs were incurred exclusively for the implementation of 800 data base access, that is, costs for any other purpose (i.e., to create efficiencies) are considered general network upgrades for which exogenous treatment must be disallowed.

The Commission specifically considered whether to extend the treatment for costs of transitioning to SS7 technology.^{17/} Regardless of whether the NXX plan was to be eliminated, the LECs would probably transition eventually to processing all calls, including 800 calls, via SS7 technology. Thus, the Commission correctly recognized that costs associated with the transition to SS7 should be treated as general network upgrades, i.e., denied exogenous treatment and, further, that "costs of accelerating SS7 deployment to meet [the Commission's] implementation timetable"

^{16/} Id. at 914 [emphasis added].

^{17/} Id. at para. 28.

should not be defined as exogenous.^{18/} Thus, to justify exogenous treatment, the LECs must demonstrate that the specific costs were not incurred simply due to the change in technology to SS7 or to acceleration of SS7 deployment.

Since implementation of portability in May 1993, 800 calls are processed in much the same manner by each of the LECs.^{19/} Thus, the LECs would be expected to incur similar costs. MCI has outlined in Appendix I, Schedule A, the various cost components that price cap LECs have included as exogenous for 800 data base service, which, oddly, vary significantly among the LECs.^{20/} Obviously, some LECs have inappropriately included certain categories of costs or have incorrectly allocated costs to 800 data base service.

^{18/} Id.

^{19/} An 800 call is suspended at the first switch which is equipped with Service Switching Point (SSP) capability. At this point in call processing, the SSP launches a query over the SS7 network, that travels first by means of "A" links to a Signal Transfer Point (STP). The query may then travel by means of "D" links to a Regional Signal Transfer Point (RSTP) before it is delivered by means of A links to a Service Control Point (SCP). The SCP determines, based on the 10-digit 800 number dialed, to which carrier the call should be delivered, and optionally may translate the dialed 800 number to a POTS number, and may vary the translation according to a number of parameters, including the number from which the call was dialed, the time of day, and the day of the week. Information then returns over the same path to the SSP which launched the query, at which point the 800 call is routed according to the SCP's instructions.

^{20/} Appendix I, Schedule A does not include adjustments to categories of costs included in the LECs' SDCs. See Section I.A.2, below.

1. Several Price Cap LECs Include Entire Categories of Costs as Exogenous that Should be Treated as General Network Upgrades

MCI will demonstrate below that the LECs have not met their burden of proof with respect to the extraordinary treatment for tandem switching costs, STP costs, SSP costs or SSP RTU fees. All these costs are properly classified as general network upgrade costs.

PacTel (Pacific Bell)^{21/} and US West incorporated allegedly exogenous costs associated with tandem switches. MCI urges the Commission to disallow the \$2.8 million^{22/} of tandem switching costs US West has classified as exogenous because US West provides no explanation whatsoever for including them. Even if US West did incur additional costs related to tandem switches, this is most likely due to the architecture that it decided to deploy for 800 data base. Thus, US West obviously has failed to meet its burden of proof.

PacTel's explanation is more detailed, but no more convincing. PacTel asserts that it includes as exogenous "tandem upgrade

^{21/} All of the discussion regarding exogenous cost related to PacTel is in reference to Pacific Bell. Nevada Bell rates are based on Pacific Bell's as Nevada Bell does not own its own SCPs. See PacTel at 20.

^{22/} This amount is from US West's direct case. Its SDC delineated investment, but not costs, by category. The direct case showed interstate 800 Tandem Switch investment of \$12.3 million, while the SDC showed interstate 800 Tandem Switch investment of \$7.4 million. One would expect costs to be lower proportionately to the lower investment, but MCI did not have sufficient information to calculate a revised cost figure.

investment and expense" which increased its capacity to handle traffic at the tandem level.^{23/}

PacTel claims its costs were:

only expended to meet the Commission's 1993 access time standards. The tandem capacity upgrades were directly associated with the cutover of 800 traffic to the tandem and thus meet the requirement for exogenous treatment for those costs incurred specifically for implementation of basic 800 service.^{24/}

However, PacTel, at its discretion, incurred this cost in place of accelerating SS7 deployment at the end office level in all of its LATAs to meet the Commission's deadline.^{25/} These costs were clearly incurred in place of SS7 general network upgrade costs, specifically excluded by the Commission. Therefore, they are not eligible for exogenous treatment. Thus, MCI respectfully requests that the Commission disallow this \$3.4 million cost component underlying PacTel's rates.

Ameritech, BellSouth, PacTel, GTE, SWBT, United and US West claim that SSP costs should also be treated as exogenous.^{26/} However, the Commission excluded SSPs, which are part of core SS7 technology, from its definition of exogenous.^{27/} Bell Atlantic, NYNEX and SNET correctly agree that SSP costs should not be

^{23/} Pacific Bell Tariff FCC No. 128, Transmittal No. 1615 (Pacific Bell Transmittal No. 1615), Description and Justification (D&J) at II-6 and II-7.

^{24/} PacTel at 10.

^{25/} Pacific Bell Transmittal No. 1615, D&J at II-5.

^{26/} See Appendix I, Schedule A.

^{27/} 800 Data Base Access Order at para. 28.

recovered separately, as they have excluded them from exogenous costs.^{28/} Thus, there is a substantial presumption against these LECs that attempt to treat SSP hardware, software or SSP Right-to-Use fees (RTUs) exogenously.

Several LECs argue that certain SSP costs would not have been incurred but for the implementation of 800 data base service.^{29/} As demonstrated above, this argument is not dispositive of exogenous cost treatment. Much investment for SS7 interconnection occurred concurrently with implementation of 800 data base service, but is correctly classified as general network upgrade cost because it may be used for multiple services or to create efficiency in the network infrastructure. For example, Ameritech's attempt to include a portion of SSP "[s]ignaling processing," a function Ameritech admits "of any SS7 call"^{30/} is misplaced. This expense should clearly fall within the Commission's definition of "LEC

^{28/} "Unlike other LECs, the NTCs did not seek exogenous treatment for the costs of the SSP hardware and/or software" NYNEX at 9. Bell Atlantic does not list SSP costs among those it has included as exogenous. See Bell Atlantic at 4 and Bell Atlantic Appendix I, Schedule A.

^{29/} Ameritech Attachment I at 4, GTE at 7-8, United at 10, PacTel at 10, BellSouth Exhibit 1B at 2-3, SWBT at 8 and US West at 3. Ameritech asserts "800 Database Service could not operate without SSP functionality in end offices to initiate database queries" Ameritech at 9. GTE claims that "GTE and other independent telephone companies, at additional cost, must deploy Bellcore developed software at their end offices and access tandems in order to fully implement 800 Data Base access. . . . The costs GTE included were incurred only for the provision of 800 Data Base service, i.e., there are no other SS7 applications." GTE at 7-8.

^{30/} Ameritech Attachment I at 4.

investment in SS7 infrastructure elements [that] should be treated as a general network upgrade."^{31/}

Some of the LECs assert, without any further explanation, that their SSP costs are incurred discretely for 800 data base service and cannot be used as a foundation for other services.^{32/} These bald assertions fail to fulfill the LECs' burden of demonstrating that these costs will be used exclusively for the implementation and operation of basic 800 data base service, i.e., were necessary for basic 800 data base service and not incurred simply to yield efficiencies and savings to the local companies.^{33/} In fact, the LECs' explanations as to the uses of such investment/costs suggest that other current or future services will benefit as well. For example, Ameritech's "translation cost" to allow the SSP to recognize only the first three digits of a number^{34/} may create

^{31/} 800 Data Base Access Order at para. 30.

^{32/} See, e.g., Ameritech Attachment I at 4, PacTel at 10, and BellSouth Exhibit 1B at 2-3. SWBT in developing its tariffed rates for 800 data base, "identified right-to-use fees (RTUs) associated with SSP software acquired specifically for deployment of 800 data base services. . . . RTUs exist solely for the benefit of 800 database services; therefore, no allocation to other services was required." SWBT at 7-8. US West claims that "the SSP software in question was used (and will be used) solely in the provision of 800 data base service." US West at 3. [footnote omitted] Only United explains that "many United end offices and tandems were provisioned with SSP functionality before deployment of the 800 data base specific software. . . . With SSP functionality, these switches were used to access the LIDB data base and were capable of performing common channel signaling. However, the switches were not capable of providing 800 data base access until the . . . software packages were installed." United at 10.

^{33/} 800 Data Base Access Order at 914.

^{34/} Ameritech Attachment I at 4.

efficiencies for services other than 800 data base service, e.g., other portable services using service access codes (SACs). Similar benefits may result from Ameritech's cost of reprogramming its switches for three-digit, rather than six-digit, screening and the cost for current and future manufacturer computer software support and maintenance for the SCP front and back-end computers.^{35/} Additionally, certain costs, e.g., GTE's end office RTU fees, create efficiencies and were not really required for 800 data base service implementation:

End Office RTU fees are incurred by GTE as a result of customer requests to connect directly to end offices, rather than incurring expense to re-route their network to connect to only tandem offices for the purpose of originating 800 traffic.^{36/}

Certainly, these SSP software expenditures generate a robustness in the network that may be useful for other services. These costs should, therefore, be assumed by the LECs under price caps, rather than treated as extraordinary, i.e., exogenous, costs.

In any event, a thorough review of software allocations is critical as such apportionment is easily susceptible to manipulation. In fact, Ameritech readily admits that any attempt to isolate certain SSP software changes to 800/SMS features would be "arbitrary and capricious" as they were acquired as part of an overall upgrade.^{37/}

^{35/} Ameritech at 8-9.

^{36/} GTE at 8.

^{37/} Ameritech Attachment I at 4.

US West, for example, uses the following methodology in its SDC to allocate SSP investment:

The actual investment for an average size switch of each type was identified and that figure multiplied by the number of offices of each local switching type. Allocation of investment to 800 DB was based on the following assumptions: 50% of calls required call setup for 800 DB or class services; 76% of calls in offices equipped with both 800 and class services are for 800 DB service; 50% of end offices equipped for 800 DB are also equipped for class services. This results in a 44% allocation figure for 800 DB and 56% figure for Other.^{38/}

US West does not even attempt to explain the basis for its assumptions. Further, the allocations, included in US West's SDC, have resulted in a threefold increase in interstate 800 database investment compared to the figures in its direct case. Clearly, US West has failed to justify its SSP cost allocations. Only United tries to justify its software expense on the basis that it purchased the software specifically to allow end offices to route 800 data base calls.^{39/} However, its explanation is inadequate, as United must also demonstrate that the SSP software does not create efficiencies for other services or potential services. The other LECs fall even shorter, as they have not even attempted to explain how their costs for SSP software, allegedly used exclusively for 800 data base service, would be isolated from their overall software upgrades for other services. Thus, these LECs have clearly failed to meet their substantial burden of justifying the

^{38/} US West Supplement Appendix A, Section II Methodology.

^{39/} United at 10.

reasonableness of SSP costs for which they propose extraordinary treatment.

None of the other LECs has even attempted to demonstrate that its apportionment of SSP costs to 800 data base services is "reasonable." In any event, no SS7 costs may be included as they are general network upgrades.

Finally, the Commission should deny exogenous treatment for STP investment, clearly a core SS7 cost.^{40/} Only United claims to have deployed STPs in order to implement 800 data base service, but it admits that these STPs are used for LIDB and Calling Name Delivery and are capable of being utilized for Common Channel Trunk Signaling for FGD traffic as well.^{41/} The other LECs simply allocate a portion of investment already deployed for use by many services. STP investment is clearly a necessary component of SS7 deployment, not a specific cost for 800 data base service. Thus, exogenous treatment should be denied STP costs, along with all of the aforementioned costs that are part of a general network upgrade, benefitting many services. MCI was unable to determine the exact dollar figure of allocated STP costs, as most of the LECs did not isolate these costs in their direct cases. It appears that STP costs may have been combined with other cost categories identified in Appendix I, Schedule A. Thus, MCI requests the

^{40/} STP costs have not been delineated specifically by some carriers that have included an allocation of these costs. See Bell Atlantic Appendix B at 5, United at 14. SNET asserts that it has allocated \$3,758 of STP costs, but no STP investment to exogenous. SNET at 19.

^{41/} United at 13-14.

Commission to require the LECs to disclose the amount of these costs remove them from their 800 database service rates.

In conclusion, tandem switching costs of \$6.2 million and SSP costs of \$11.6 million,^{42/} as shown in Appendix I, Schedule A, as well as STP costs (the Commission should order the LECs to show the amount), should be disallowed to prevent unreasonably inflated price caps and 800 data base query rates.

2. Several Price Cap LECs Fail to Justify Their SCP and/or STP/SCP Signaling Link Allocations

The Commission permitted exogenous recovery of only those SCP costs directly attributable to the implementation of 800 data base service.^{43/} It also permitted exogenous treatment for STP/SCP signaling links.^{44/}

Some LECs misinterpret the Commission's intent and attempt to recover for costs that were incurred as part of a technology upgrade and are attributable to entire groups of services. However, SCPs and signaling links were generally already deployed for CLASS, intralata 800 data base and other services and are clearly fungible investments. Thus, much of this investment should be considered part of the network upgrade to SS7. Perhaps full SS7 implementation is occurring more rapidly than the carriers

^{42/} SSP investment for Ameritech and US West were changed in their SDCs, but insufficient information was provided to allow a recalculation of the cost disallowances. MCI requests that the Commission require all SSP costs be removed, in whatever amount the carriers eventually calculate.

^{43/} 800 Data Base Access Order at para. 28.

^{44/} Id.

originally planned, but the Commission specifically disallowed any recovery for accelerated deployment.^{45/}

At a minimum, the Commission should assure that the LECs recover as exogenous only those costs that can fairly be assigned to 800 data base service. Incorrect cost allocation could result in LEC double recovery at the expense of ratepayers -- once when the exogenous cost is included in 800 data base service and again when the costs are included in setting rates for other services. To avoid overloading of costs on 800 data base service, the LECs must project the use of the equipment for all current and future services and allocate the investment/costs accordingly.

Clearly, several LECs appear to have used cost allocation methods that result in unreasonable assignments of SCP and signaling link costs to 800 data base service. For instance, none of the LECs appears to have assigned any costs to their interexchange basket, even though they provide interstate, intralata 800 services and, therefore, must assign costs to this service above and beyond access.

Also, even though one would expect the costs of providing 800 data base service to be similar across all LECs, there is a wide variation in the amount of costs that LECs have included for SCPs. GTE and United allocate the most (\$3.9 million and \$3.7 million, respectively) while BellSouth and SNET allocate the least (\$270,072 and \$124,995, respectively).^{46/}

^{45/} Id.

^{46/} See Appendix I, Schedule A.

Also, Bell Atlantic, NYNEX and United include, as exogenous, costs of signaling links between local and regional STPs that appear to be excessive on their face. Appendix I, Schedule A demonstrates that for STP/SCP and local STP/regional STP signaling links, combined, NYNEX has included \$1.1 million of costs,^{47/} Bell Atlantic has included \$3.1 million^{48/} and United has included \$1.9 million. Ameritech and US West seek recovery only for modest amounts for STP/SCP signaling links (\$11,121 and \$104,077,^{49/} respectively) and BellSouth appears to have included a reasonable incremental amount for both STP/SCP signaling links (\$30,580) and local STP/regional STP links (\$43,355). PacTel, SWBT, GTE and SNET have treated all such costs as general network upgrades and included no costs as exogenous.^{50/} Thus, Bell Atlantic, NYNEX and United seem to have grossly overstated both the STP/SCP link costs and the local STP/regional STP amounts compared to all other LECs reporting amounts for these costs.

^{47/} NYNEX's proposed costs are \$.2 million using the alternative cost support submitted in its SDC. See NYNEX SDC, WS Esg 1-1.

^{48/} Using the same methodology as in Appendix I, Schedule A, but substituting the numbers from Bell Atlantic SDC, Workpaper 12, MCI calculates an amount of \$1.9 million in costs.

^{49/} This amount was taken from US West's direct case. However, in its SDC, US West no longer seeks recovery for costs associated with STP/SCP Signaling Links because they are "de minimis." US West SDC, Appendix A, Section II Methodology.

^{50/} MCI assumes that the minimal amounts of signaling costs that these carriers could in good faith include as exogenous may have motivated their decision to exclude them entirely. See, e.g., Id.

Direct Assignment

Some LECs have used direct assignment for SCP pairs, SCP updates or signaling link costs allegedly used exclusively for 800 data base service.^{51/} For example, PacTel states that "[t]he costs included in the 800 Database filing were the actual expenditures made in 1992 to upgrade the system to provide 800 number portability."^{52/} SNET directly assigned \$500,000 of SCP upgrade investment to 800 data base service "to handle additional interstate queries and to improve system performance."^{53/} US West has two mated SCP pairs, one devoted exclusively to 800 data base service and the second used to support 800 data base service and LIDB services (including calling party name service). US West asserts that its SCM/SS7 cost model does not require allocation among services.^{54/} BellSouth asserts signaling links were "required to carry the additional 800 data base traffic."^{55/} NYNEX asserts that "[t]here would be no need to utilize . . . regional

^{51/} BellSouth Exhibit 3 at 2-3, NYNEX Attachment A at 5, US West at 7-8, SWBT at 18.

^{52/} See PacTel at 11. See, also, CC Docket No. 93-129, Pacific Bell Ex Parte, filed October 13, 1993.

^{53/} SNET at 20. See, also, CC Docket 93-129, SNET Ex Parte dated October 13, 1993.

^{54/} US West at 7-8. However, this is inconsistent with US West's Supplement, where US West claims that "[t]wenty-five percent of the shared pair is allocated to 800 data base service, based on engineering studies conducted on 800 database versus LIDB queries." US West Supplement, appendix a, Section II Methodology. SWBT allocated the Missouri SCP pair between 800 data base and LIDB, but the Texas SCP pair only supports 800 data base. SWBT at 18.

^{55/} BellSouth Exhibit 3 at 2.

STP links for purposes of routing 800 NXX traffic . . . Thus, these link costs are directly attributable to 800 data base service and are not core SS7 costs."^{56/}

Direct assignment is reasonable only if the investment will not be used for services other than 800 data base. Yet, none of the LECs has demonstrated that its SCPs will continue to be used exclusively for 800 data base service. In fact, NYNEX has allocated its "dedicated" SCP pair to 800 data base service, even though by NYNEX's own admission, New England Telephone (NET) intends to use the SCP pair in the future for LIDB services.^{57/} The LECs have failed to demonstrate that the SCP costs directly assigned are reasonable and, without further explanation as to the uses of SCP investment/costs, the Commission cannot allow exogenous treatment in their entirety.

MCI would not argue with a LEC's ability to include as exogenous signaling links deployed and utilized exclusively to provide interstate 800 data base service, and BellSouth appears to have included a reasonable amount for these links.^{58/} However, NYNEX claims that its link costs were "directly attributable to 800

^{56/} NYNEX Attachment A, at 4.

^{57/} Later this year NET plans to introduce LIDB into its existing SCP pair now used for 800 data base services. NYNEX Attachment A at 5.

^{58/} BellSouth's amount includes port terminations (Link Interface Units) and Right-to-Use fees for the additional signaling links for local or regional STPs. BellSouth Exhibit 3 at 2. See, also, BellSouth Exhibit 1 at 3.

data base service,"^{59/} but does not further describe its allocation methods, even though its costs are allegedly 18 times those of BellSouth.

Other Cost Allocations Methods

MCI has identified the following methods (in addition to direct assignment) used by price cap carriers to allocate common costs to 800 data base service exogenous costs:^{60/}

Method 1. For fixed common costs, a costing model assumes a given cost will be utilized at full capacity, or busy hours of capacity. The costing model calculates a cost per unit of time usage for the fixed cost. Then, using engineering studies, the cost model calculates an estimated or average transaction time for an 800 data base query. The model then multiplies the amount of time used by a transaction by the cost per unit of time. The result is used to assign a unit cost to that transaction. Finally, the unit cost is multiplied by 800 data base demand to determine the total amount of the fixed costs to assign as exogenous to 800 data base service.

Method 2. A common fixed cost is calculated. Forecasts are developed of the services that will be using the equipment and units of usage are associated with each service. The entire cost of the equipment is allocated based on the relative use of each service (unit costs are not utilized). The exogenous cost is equal to the amount of the cost allocated to 800 data base service. Unit costs for investment or loading factors must be developed by dividing the total amount of cost by the number of 800 data base queries.

For Method 1, a costing model, such as CCSCIS, may be necessary to develop the cost per unit of usage and process the assumptions on transaction times (developed by engineering studies)

^{59/} NYNEX Attachment A at 4.

^{60/} Rate of return carriers also must apportion costs. For example, CBT also originally used a costing model, but filed alternative cost support in its SDC. However, CBT fails to demonstrate that its allocation methodology will not result in double recovery of costs between 800 database and other services.

and relative demand. Thus, access to the exact inputs to these models and the algorithms leading to the output would be necessary to determine the reasonableness of the resulting costs.^{61/} Many of the carriers initially filed relying on CCSCIS and procedures similar to Method 1, but refused to file the inputs to their model. The use of these models led to anomalous results. For example, Bell Atlantic included one of the largest amounts of exogenous cost for signaling links, and Ameritech included one of the smallest, although they both used CCSCIS.^{62/} Clearly CCSCIS can yield wide variations in cost support.

GTE finally filed the inputs to its model as required in its SDC. MCI is filing its comments to GTE's cost support separately, along with a request for confidential treatment.

Several other carriers submitted "alternative cost support",^{63/} for exogenous costs, using procedures similar to

^{61/} The Commission explicitly ordered that those "price cap LECs using computer models to develop costs in their direct cases disclose those models on the record if their justification for their rates is based on the use of the model." 800 Designation Order, at para. 29 and footnote 24.

^{62/} Bell Atlantic at 5 and Ameritech Attachment I at 7. Other carriers originally used CCSCIS only for allocations of costs to vertical features, not to calculate exogenous cost. See, e.g., SWBT at 9 and SNET at 10-11.

^{63/} If carriers chose not to disclose these models -- and the Commission examined and discarded the justifications LECs had previously proffered for non-disclosure -- the Commission required that they provide "some other justification for ... rates." Id. at para. 29. The Common Carrier Bureau denied several carriers' petition for waiver of the cost support requirement. 800 Data Base Access Tariffs and the 800 Service Management System Tariff, CC Docket No. 93-129, Order, DA 94-99, re., January 31, 1994. On March 2, 1994, several LECs filed an Application for Review of that decision.